

## **Review of CMS's preliminary estimate of the physician update for 2009**

**ISSUE:** CMS's preliminary estimate of the 2009 payment update for physician services is –5.4 percent. In a letter to MedPAC communicating this estimate, CMS notes further that such a reduction in the physician fee schedule's conversion factor would follow a 10.6 decrease to occur on July 1, 2008 at the end of a temporary, six-month, bonus, that was included in the Medicare, Medicaid, and SCHIP Extension Act of 2007. These reductions would be a continuation of negative updates called for since 2002 under the sustainable growth rate (SGR) formula. As mandated, the Commission must review the update estimate and include its findings in MedPAC's June 2008 report to the Congress.

**KEY POINTS:** In calculating the update, CMS used estimates that are consistent with recent trends. However, even if the estimates change, the result of the update calculation is unlikely to change because of the growth in spending for physician services that has occurred in recent years and because of increased spending associated with legislative overrides of negative updates.

**ACTION:** At this meeting, Commissioners will discuss a draft of MedPAC's review of the update estimate.

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